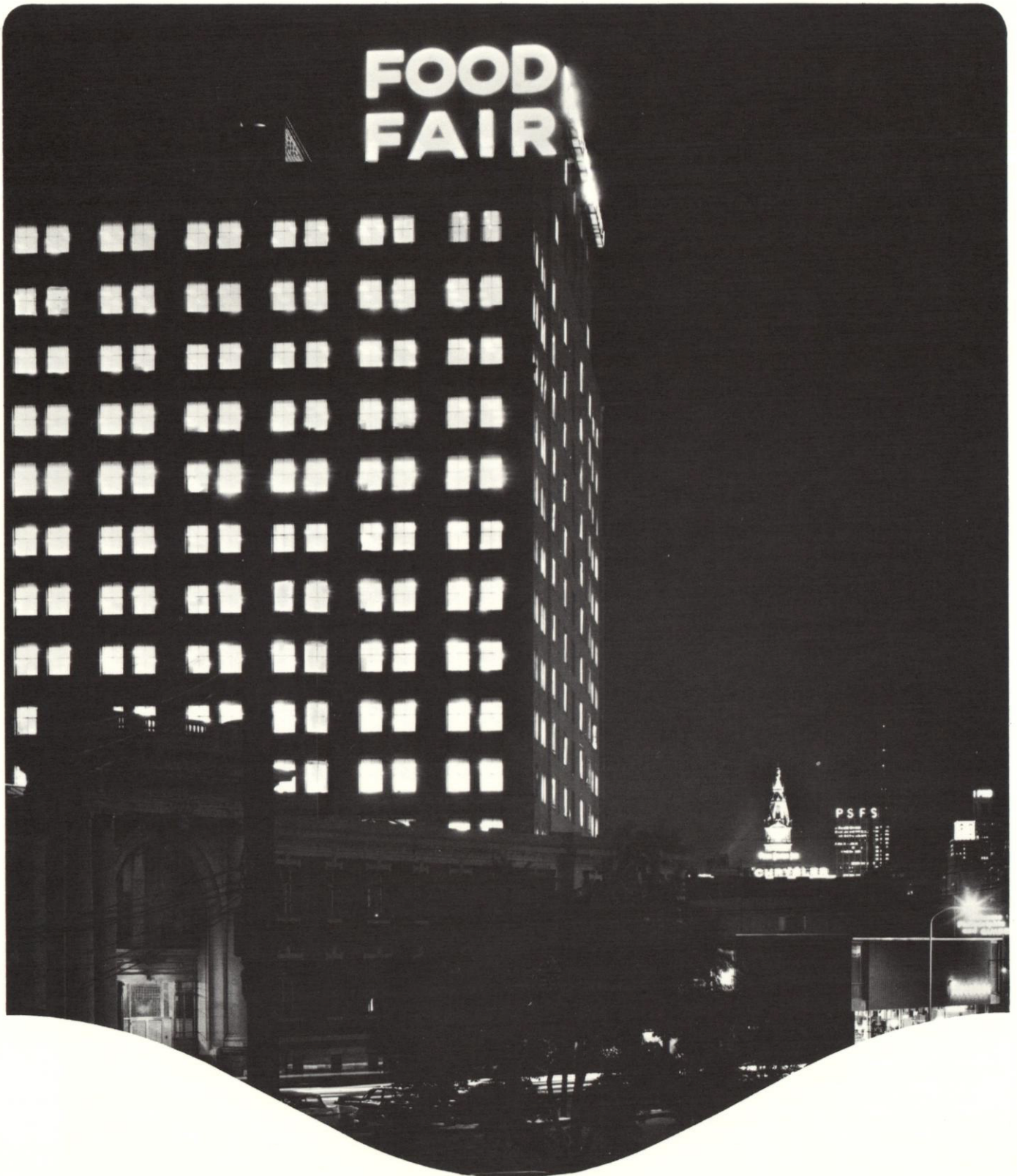


FOOD FAIR STORES, INC. ANNUAL REPORT 1966



A familiar sight on the impressive Philadelphia skyline, the Food Fair Building stands convenient to transportation facilities, and is minutes away from the business and financial districts of the city.



FOOD FAIR STORES, INC. ANNUAL REPORT 1966

FOR THE FISCAL YEAR ENDING APRIL 30, 1966



THE YEAR IN BRIEF

FISCAL YEAR	1966	1965
Sales	\$1,204,519,890	\$1,119,640,332
Net Income	\$ 10,957,014	\$ 8,847,385
Special Credits	\$ 1,547,000	\$ 389,000
Net Income and Special Credits	\$ 12,504,014	\$ 9,236,385
Per Share of Common Stock*:		
Net Income	\$1.51	\$1.21
Special Credits	\$.21	\$.05
Net Income and Special Credits	\$1.72	\$1.26
Dividends Paid in Cash:		
Preferred Stock	\$ 188,276	\$ 198,366
Common Stock	\$ 6,385,031	\$ 6,318,229
Earnings Retained in the Business	\$ 5,930,707	\$ 2,719,790
Current Assets	\$ 159,130,115	\$ 146,130,881
Current Liabilities	\$ 80,183,660	\$ 70,517,734
Working Capital	\$ 78,946,455	\$ 75,613,147

*Based on shares outstanding at April 30, 1966

ANNUAL MEETING

The annual meeting of shareholders of Food Fair Stores, Inc., will be held Tuesday, August 16, 1966, at 2 P.M., E.D.T., in the Meeting Room of the Company's corporate headquarters, 3175 John F. Kennedy Blvd., Philadelphia, Pennsylvania. Shareholders are cordially invited to attend.

A formal notice of the meeting, a proxy, and a proxy statement are enclosed. Shareholders unable to attend are urged to date, sign, and return the proxy promptly so as to be assured of representation at the meeting.

TO THE SHAREHOLDERS OF FOOD FAIR STORES, INC.

The past fiscal year, ended April 30, 1966, was one of substantial accomplishment for your Company. We achieved the record high sales goal we set for ourselves, and our net income from operations showed significant improvement.

Fiscal 1966 was the thirty-fourth consecutive year your Company bettered the sales record of the year before, and the fourth successive year to surpass the billion dollar mark. Our sales performance also has moved us from fifth place to fourth place in the rankings of the nation's major retail food chains.

Earnings for the year amounted to \$1.72 per common share compared with \$1.26 per share in the 1965 fiscal year based on shares outstanding at year end. Both years comprised 52 weeks.

Our store expansion program was accelerated and exceeded that of the previous year. During fiscal 1966, 47 retail food and department store units were added throughout various areas of our operations, compared to 27 for the previous year. Of the new additions, 45 were food markets and two were J. M. Fields discount department stores. All of these stores were added in areas where we enjoy favorable customer acceptance.

Twenty-four older markets also were remodeled to improve both their appearance and their profitability.

No equity financing was required for these programs.

At the year-end, your Company operated 615 units distributed as follows: 554 food markets, 54 J. M. Fields department stores, and seven drug stores. A state-by-state breakdown of all our stores is on Page 16 of this report.

Our schedule for the current fiscal year calls for the addition of 50 food units and as many as six J. M. Fields stores.

During fiscal 1966, stockholder approval was given to the merger of Food Fair and the Los Angeles-based Fox Markets, Inc., which was more than 80 percent Food Fair-owned. The exchange ratio was three-and-one-half shares of Fox common stock for one share of Food Fair. These markets operated under the Food Fair name and comprise our Pacific Division.

July 26, 1966



LOUIS STEIN

SAMUEL FRIEDLAND

Fiscal 1966 can be recorded as the year of the "new look" for your Company. During those 52 weeks we completed the redesigning of labels for more than 1,500 of our private label products; we developed a fresh, new approach to our merchandising and sales promotional efforts; we instituted a dynamic new management development program; we began operations in a new 170,000-square-foot manufacturing plant; we increased and improved more efficient and cost-saving materials-handling techniques, and expanded the utilization of modern electronic data processing equipment.

Your management is proud of the progress made in our constant and unrelenting efforts to improve efficiency and productivity, and to reduce operating costs. The highly competitive nature of the retail food industry, and the steadily rising costs in operations, make us ever alert for constant improvements. The entire Food Fair family, 30,000 strong, is united in this common purpose.

The directors and officers express their appreciation to co-workers, suppliers, shareholders and customers for their loyal support during the year just concluded.

Sincerely,

Samuel Friedland Louis Stein

Chairman of the Board

President

FINANCIAL REVIEW

SALES AND EARNINGS Consolidated sales for the 52-week fiscal year ended April 30, 1966, set an all-time high of \$1,204,519,890, compared with sales of \$1,119,640,332 in the previous fiscal year, an increase of 7.7 percent.

Net income rose to \$12,504,014, equal to \$1.72 per share on the 7,151,349 shares of common stock outstanding at the year end. This represents an increase of 35.4 percent over net income of \$9,236,385, or \$1.26 per share on the same share basis in fiscal 1965. Net income includes special credits of \$.21 this year, compared to \$.05 last year.

DIVIDENDS Annual dividends of \$4.20 per share on the preferred stock and \$.90 per share on the common stock were paid during the last fiscal year, on a regular quarterly basis. Total dividends on the preferred and common stocks for fiscal 1966

amounted to \$6,573,307. There were 17,996 Food Fair shareholders at the year's end.

FINANCIAL POSITION Once again, Food Fair's strong financial condition enabled the Company in fiscal 1966 to continue its store expansion and remodeling programs without the necessity of equity financing. Working capital at the year-end increased to \$78,946,455, compared with \$75,613,147 the previous year.

CAPITALIZATION Common stock outstanding at April 30, 1966, amounted to 7,151,349 shares as compared with 7,025,516 shares outstanding at May 1, 1965.

The Company retired 2,890 shares of preferred stock in fulfilling its sinking fund obligations.

Stockholder equity increased to \$107,726,541 at the end of the fiscal year as compared with \$99,429,141 at the end of the previous year.



REVIEW OF OPERATIONS

EXPANSION Food Fair's expansion program continued during fiscal 1966 with the addition of 45 retail food markets and two department store units, against 27 units added the previous year. Of these, six food markets were added to the Pacific Division. All of these stores were added in areas where we already are operating. The results of this method of expansion should be a reduction in operating costs.

In addition to new store construction, 24 older markets were extensively remodeled to make them more efficient and attractive to shoppers. These stores received revamped exterior designs and interior decors that added a new brightness and sparkle.

During the fiscal year, one J. M. Fields service store and 20 outmoded food stores were closed.

At the year-end, Food Fair operated 554 food markets, 54 J. M. Fields department stores, and seven drug stores, for a total of 615 units.

DEPARTMENT STORE OPERATIONS Top management appointments were made in J. M. Fields during the fiscal year. Robert Riesner was named president, and Jacob I. Gottlieb, executive vice president. Myer B. Marcus, executive vice president of Food Fair and former president of Fields, was named chairman of the executive committee.

Both Mr. Riesner and Mr. Gottlieb have extensive retailing experience. Mr. Riesner formerly was vice president and general manager of Denton Sleeping Garment Mills, Inc., and held executive positions in merchandising with E. J. Korvette, N.Y., The Fair Store, Chicago, Allied Stores Corp., and Gimbels, N.Y.

Mr. Gottlieb was head of the J. M. Fields shoe division for four years prior to his new appointment.

Since acquiring the 33-unit J. M. Fields department store chain in 1961, Food Fair has added 27 additional stores while closing six smaller-type units. The stores, featuring general merchandise ranging from notions to large appliances at discount prices, are located in 11 Eastern states from New Hampshire to Florida.

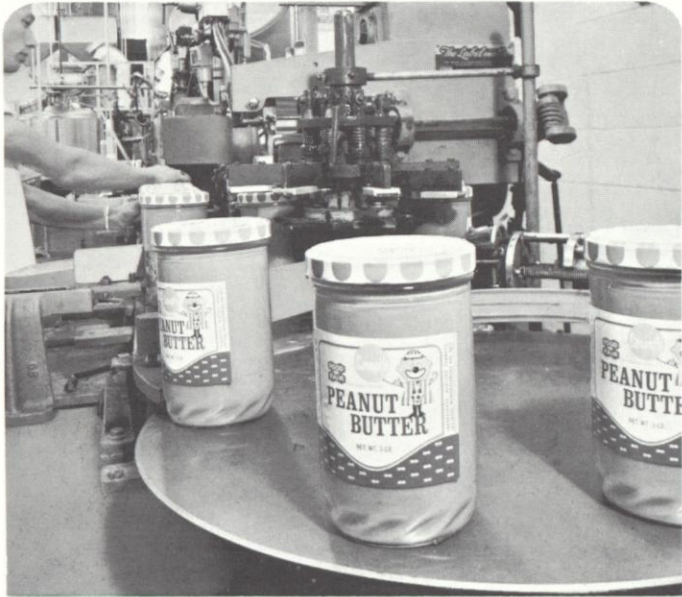
All of the units added since 1961 contain either food supermarket sections within the stores, or are adjacent to Food Fair supermarkets. The units range from 75,000 to 120,000 square feet of sales area.

Food Fair operates all of the departments within the J. M. Fields stores except for some specialty services and automotive centers.

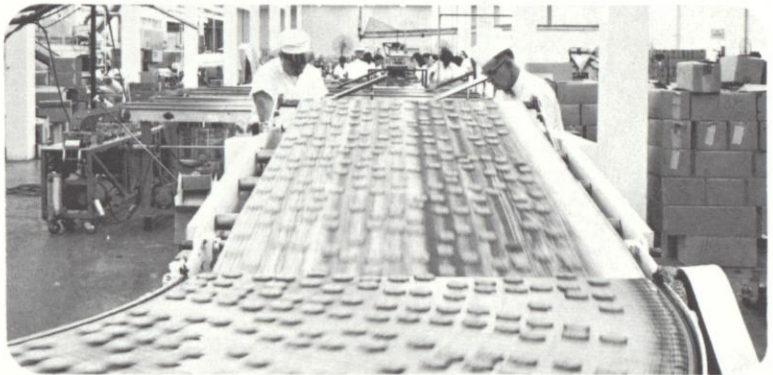
The application of mass distribution techniques to general merchandise retailing has resulted in steadily increasing sales and profits for J. M. Fields.

This modern Food Fair supermarket, and two exactly like it, opened simultaneously in Philadelphia in April, 1966.





Shown here are taste-tempting peanut butter; attractively packaged potato chips; and fresh-from-the-oven cookies, all made in Food Fair's new plant in Pennsville, N. J. Pretzels and nutmeats also are produced in the modern, automated, 170,000-square-foot facility.



MANUFACTURING During fiscal 1966, construction was completed on the Company's new two-story manufacturing plant in Pennsville, New Jersey. This modern, automated facility represents the consolidation of four previously scattered production units into one giant plant.

Now nearing full production, the plant is turning out pretzels, potato chips, cookies, nutmeats, and peanut butter under the Company's private label. Literally tons of products pass daily through the complete mixing, baking, roasting and packaging lines into the marshalling warehouse for distribution to a large segment of our supermarkets.

The Pennsville plant includes all the latest production techniques and quality controls necessary for the manufacture of the finest food products.

A bakery comprising 36,000 square feet, went into operation in Bridgeton, N.J. in June, 1965, and now is producing Food Fair's bread and rolls for our supermarkets in eastern Pennsylvania, Delaware and portions of New Jersey.

MARKETING-MERCHANDISING One of the most important functions in retailing is the manner in which products are offered to the public—the potential customer. Because of its highly competitive nature, this is especially true in the retail food

industry.

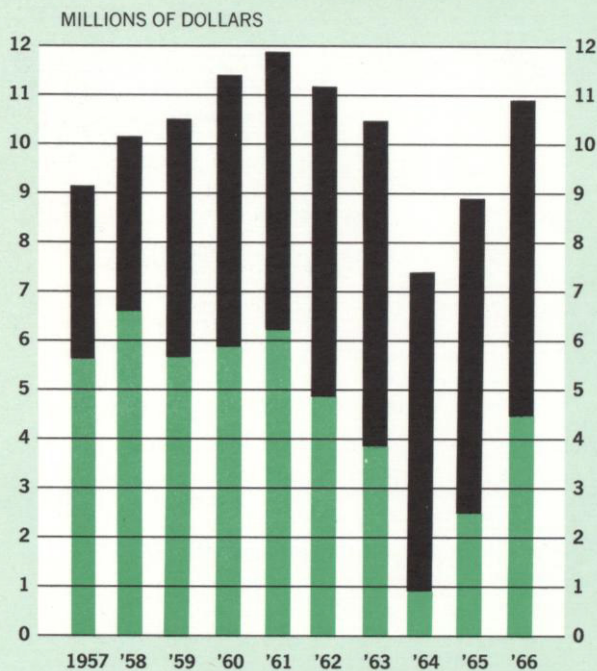
During the past fiscal year, Food Fair's marketing and merchandising programs have assumed a fresh, new aggressiveness. This is evident in the Company's multi-media advertising; in the colorful, modern appearance of our stores; in the enthusiasm of our co-workers, and in the planning behind our marketing and merchandising approaches.

Through a series of monthly Action-Planning meetings, merchandising and advertising managers now are scheduling sales events well in advance. The primary objectives of these meetings are to encourage and to stimulate longer-range programs; to better coordinate intra-branch promotions, and to increase the technical support given by the chain advertising department to the branch advertising departments.

For the past several years, your Company has been developing discount food operations wherein trading stamps are eliminated and stronger price promotional methods are used. These stores are being developed in areas where competitive conditions and other factors dictate. In each instance, the introduction of the new pricing structure met general customer acceptance. These supermarkets are operated under the names "Food Fair Quality Discount" and "Pantry Pride".

Distribution of Net Earnings

■ CASH DIVIDENDS ■ RETAINED EARNINGS



Exclusive of Special Credits for 1964, 1965 and 1966

PRIVATE LABELS More than 1,500 of the Company's private labels have been redesigned during the past fiscal year and are attractively dominating our stores' shelves. Each new design was executed with meticulous care, placing the major emphasis on eye-appeal. Each is color-coded to a particular product category and contains a "free standing" illustration of the product. Each label also features the now-familiar roller-coaster design, incorporating the Company's logotype, plus new and unique recipes developed and tested in the Golden Kitchens of Food Fair.

In conjunction with the private labels, the Company initiated a new system of shelf display, incorporating national brand and private label items to give our stores a stronger variety appearance for better customer service.

MEAL PLANNERS As an added shopper service, the Company last January began providing our customers with a "Weekly Meal Planner" that offers exciting recipes, balanced meals, and a pantry shopping list. Printed on colorful 5"x11" stock, the Weekly Meal Planner suggests breakfast, lunch and dinner ideas for each day of the week as well as recipes of selected dishes for each day. A different Meal Planner is available each week.

This is another home service feature of the Golden Kitchens of Food Fair and complements recipe offerings which appear in our newspaper advertisements and on the labels of our private-brand products.

SUPERMARKET SWEEP On December 20, 1965, a new daily television show aimed at housewives made its debut on the ABC network. Called "Supermarket Sweep", the half-hour quiz show features shoppers competing for prizes of timed shopping sprees in the supermarket. At the end of our fiscal year, April 30, 1966, Supermarket Sweep had televised 95 half-hour shows. The greater portion of these shows had been filmed, in advance, in various Food Fair supermarkets and J. M. Fields discount department stores. Now seen on approximately 140 television stations, Supermarket Sweep is one of the most popular of the daytime TV shows.

COMMUNITY SERVICE The Scholarship Program administered by the Food Fair Stores Foundation now is in its twelfth year and remains one of your Company's most significant community relations projects. Last year, through this program, 232 scholarships were awarded to 31 colleges and universities. In addition, the Foundation, in 1963, established the Food Fair Chair in Marketing at the University of Florida, and annually provides financial aid to private colleges. Your Company also supports more than 75 Little League and other junior

FROM THE
Golden Kitchens
OF FOOD FAIR

The Meal Planner, a popular customer service, is available weekly at Food Fair supermarkets. Featured are an entire week's menus, a pantry shopping list, plus tempting recipes from the Golden Kitchens of Food Fair.



baseball teams, and the Junior Olympics Track and Field Championship Meet. The latter event last year attracted more than 10,000 boys and girls from eastern Pennsylvania, southern New Jersey, and northern Delaware.

WAREHOUSING AND DISTRIBUTION The movement of merchandise from your Company's distribution centers to the stores is one of the most vital links in our entire chain of operations. The quest for newer, more efficient, and more economical methods of materials-handling is never ended.

We constantly are seeking the newest and most modern ways to improve our service.

During the past year, significant strides were made in many areas of our warehousing and distribution operations. More and more national suppliers are conforming to the use of our standardized pallet-load and unit-load materials-receiving system. This is but one instance of the effect of close cooperative relations between your Company and its suppliers in mutually seeking ways to reduce costs while producing savings for the consumer. We also accelerated our research into the use of



Food Fair trucks and distribution centers provide the vital link in keeping the supermarkets supplied with a steady flow of quality products.



liquefied gases as a refrigerant to protect perishable merchandise while in transit. The results, so far, have been very encouraging.

The use of electronic data processing equipment is proving most effective in achieving faster warehouse inventory turnover while reducing inventories at the store level. More than 2,000 grocery items now are ordered automatically for the Philadelphia warehouses through this equipment. We also are testing a pilot communications system in a selected area of our chain. This system will elec-

tronically relay orders from individual stores direct to our data processing center, by way of the telephone. This should dramatically reduce the time now required to receive the order and for the actual delivery of merchandise to the stores.

PERSONNEL & MANAGEMENT DEVELOPMENT Training of personnel at all levels of responsibility has always ranked importantly among your Company's on-going programs. Last year, these training programs were intensified, as the result of



our continuing needs and a tightened labor market. Additional emphasis also was placed on accident prevention training with beneficial results to the Company in those areas where it was initiated.

During the year, 40 persons were graduated from our store manager training program to supermarket managerial posts. Some 60 others presently are in training. This formal program assures a continuing reservoir of experienced personnel from which to draw to fill the important store manager posts which are opening frequently.

Store personnel receive continuing on-the-job instruction from store and department managers, supplemented by a study of training manuals and written tests. Formal refresher courses also are offered to all departments of our operations.

Special courses are tailored for certain personnel to meet specific needs. Last year classes were held to keep them abreast of the advanced uses of electronic data processing equipment and their application to our business. Other classes were conducted in business-report writing.

Food Fair's self-improvement program offers employees the opportunity to pursue job-related studies during their off-duty hours with tuition costs borne, in a large part, by the Company.

While these programs continued, your Company undertook a comprehensive and in-depth study of its corporate structure and an assessment of its key management team.

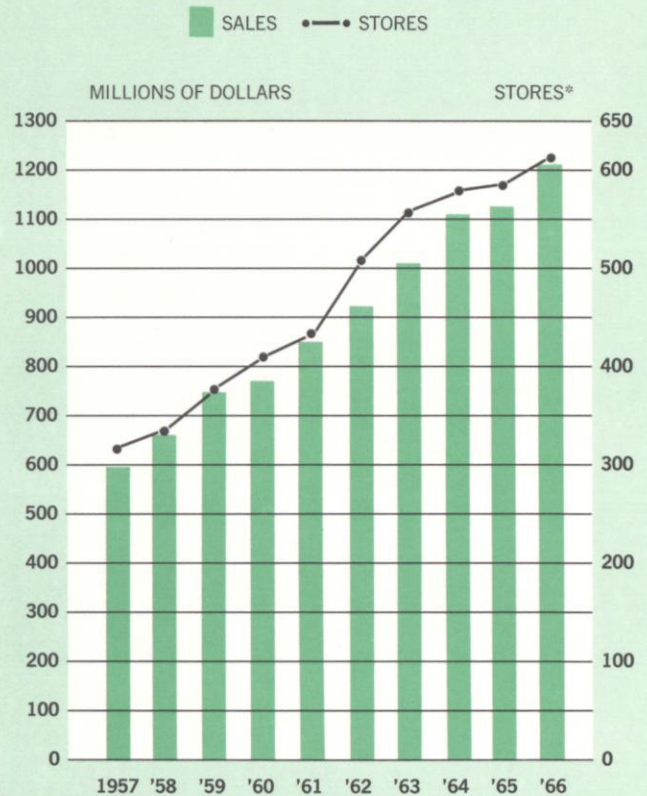
This study is consistent with the desire of your Company to be organized structurally for maximum efficiency and always to have in training a capable "second-line" management team ready to step into top positions as the opportunities are presented.

Candidates for these top posts are selected as part of our management appraisal program. Your Company maintains records of all key management personnel which include performance ratings by their superiors, results of aptitude tests and work experience reviews. This "management by results" approach will help to further assure your Company of capable leadership to chart Food Fair's course in future years.

LOOKING AHEAD The coming year should be another of substantial overall economic growth, according to most major indicators. Your Company is prepared to take full advantage of these increasing economic opportunities while concerting our efforts to control costs and to further improve our earnings.

In addition, your Company's every effort is designed to continue to merit the loyalty of our present customers, and to attract new ones. We are confident that we have the ability, the initiative, and the incentive to achieve these and all our objectives in the year ahead.

Sales and Number of Stores



*Includes 54 J. M. Fields department stores and 7 drug stores



Bill Malone, emcee of the popular, daytime TV show, "Supermarket Sweep", quizzes two contestants as the show is filmed in a Food Fair supermarket. Prizes are timed shopping sprees in the supermarket.

A typical opening of a J. M. Fields store.



The spacious, modern interiors of J. M. Fields discount department stores offer a wide variety of general merchandise, ranging from buttons and bows to refrigerators and TV sets.

Statistical Summary

FOOD FAIR STORES, INC. AND SUBSIDIARIES

(all dollar figures are in thousands)

Year Ended	Stores at Year-End	Sales	Net Income	Cash Dividends	Earnings Retained
April 30, 1966	615	\$1,204,520	\$10,957†	\$6,573	\$5,931
May 1, 1965	587	1,119,640	8,847†	6,516	2,720
May 2, 1964*	577	1,105,394	7,356†	6,507	3,527
April 27, 1963	551	1,003,344	10,370	6,500	3,870
April 28, 1962	504	923,224	11,055	6,279	4,776
April 29, 1961	437	840,180	11,865	5,647	6,218
April 30, 1960	404	771,172	11,395	5,528	5,867
May 2, 1959*	368	733,960	10,396	4,928	5,468
April 26, 1958	332	654,829	10,122	3,529	6,593
April 27, 1957	310	592,460	9,030	3,444	5,586
April 28, 1956	275	517,289	8,923	3,347	5,576

*53 Weeks

†Excludes special credits of \$1,547,000 in 1966, \$389,000 in 1965 and \$2,677,872 in 1964.



CONSOLIDATED STATEMENT OF

Income

FOOD FAIR STORES, INC. AND SUBSIDIARIES

	52 weeks ended	
	April 30, 1966	May 1, 1965
Sales	\$1,204,519,890	\$1,119,640,332
Cost of sales	970,432,255	900,120,064
Gross profit from sales	\$ 234,087,635	\$ 219,520,268
Operating expenses	213,713,325	202,093,376
Profit from operations	\$ 20,374,310	\$ 17,426,892
Other income	1,422,481	1,263,168
Profit before interest expense	\$ 21,796,791	\$ 18,690,060
Interest expense	3,222,955	3,352,546
Net income before income taxes, minority interest and special credits	\$ 18,573,836	\$ 15,337,514
Federal and state income taxes	7,616,822	6,169,149
Minority interest in income of subsidiary		320,980
Net income	\$ 10,957,014	\$ 8,847,385
Special credits (Note 5)	1,547,000	389,000
Net income and special credits	\$ 12,504,014	\$ 9,236,385

CONSOLIDATED STATEMENT OF

Retained Earnings

FOOD FAIR STORES, INC. AND SUBSIDIARIES

Balance at beginning of period	\$50,167,578	\$47,447,788
Net income and special credits for the period	12,504,014	9,236,385
	<u>\$62,671,592</u>	<u>\$56,684,173</u>
Deduct:		
Cash dividends:		
Preferred stock	\$ 188,276	\$ 198,366
Common stock	6,385,031	6,318,229
	<u>\$ 6,573,307</u>	<u>\$ 6,516,595</u>
Balance at end of period	<u>\$56,098,285</u>	<u>\$50,167,578</u>

CONSOLIDATED STATEMENT OF

Financial Condition

FOOD FAIR STORES, INC. AND SUBSIDIARIES

	<u>April 30, 1966</u>	<u>May 1, 1965*</u>
Current assets:		
Cash	\$ 16,177,676	\$ 14,914,700
Marketable securities, at cost	348,405	348,405
Accounts receivable	24,753,768	22,770,073
Inventories, at lower of cost or market	111,249,461	102,621,161
Prepaid expenses	4,901,776	5,284,175
Real estate in the process of development and sale, net of payments received on account, 1966, \$8,660,000; 1965, \$13,000,000	1,699,029	192,367
	<u>\$159,130,115</u>	<u>\$146,130,881</u>
Less current liabilities:		
Accounts and notes payable	\$ 49,982,849	\$ 41,919,991
Accrued salaries and expenses	23,850,261	21,251,724
Current portion of long-term debt (Note 2)	2,814,708	3,039,007
Federal and state income taxes payable	3,535,842	4,307,012
	<u>\$ 80,183,660</u>	<u>\$ 70,517,734</u>
Working capital	\$ 78,946,455	\$ 75,613,147
Other assets:		
Investments, at cost:		
Capital stock, Food Fair Properties, Inc.	\$ 4,244,444	\$ 4,244,444
Other	4,382,727	3,208,789
Property, plant and equipment, at cost, less accumulated depreciation, 1966, \$86,019,472; 1965, \$78,075,635	90,919,188	83,454,469
Miscellaneous	4,745,610	3,685,772
	<u>\$183,238,424</u>	<u>\$170,206,621</u>
Deduct:		
Long-term debt, due after one year (Note 2)	\$ 69,514,483	\$ 61,387,661
Liability for redemption of trading stamps, less portion included in accrued expenses	2,400,000	2,400,000
Deferred Federal income taxes (relating to accelerated depreciation)	3,597,400	3,869,000
Minority interest in subsidiary (Note 4)		3,120,819
	<u>\$ 75,511,883</u>	<u>\$ 70,777,480</u>
Net assets	<u>\$107,726,541</u>	<u>\$ 99,429,141</u>
Derived from:		
Capital stock:		
Preferred (Note 3)	\$ 4,280,500	\$ 4,569,500
Common (Note 4)	47,347,756	44,692,063
Retained earnings (Note 2)	56,098,285	50,167,578
	<u>\$107,726,541</u>	<u>\$ 99,429,141</u>

*Certain figures for 1965 have been restated to conform with reclassifications adopted in 1966.



NOTES TO FINANCIAL STATEMENTS

The following notes are applicable to the financial statements as at April 30, 1966. Reference is made to previously issued report for the notes applicable to the statements as at May 1, 1965.

Note 1

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, except its wholly-owned life insurance company. The investment in this subsidiary is included in the consolidated statement of financial condition at equity value, its net income is included in consolidated net income and its undistributed earnings in consolidated retained earnings.

Note 2

Long-term debt at April 30, 1966, was as follows:

	Rate	Due within one year	Due after one year	Final maturity
Banks	4½%-6%	\$2,130,783	\$31,677,044	1966-1973
Mortgages	3-6%	606,424	2,725,604	1967-1984
Sinking fund debentures	3¾%		13,654,000	1974
Convertible subordinated debentures	4%		21,137,300	1979
Other	0-6%	77,501	320,535	1966-1977
		<u>\$2,814,708</u>	<u>\$69,514,483</u>	

Sinking fund debentures require semi-annual sinking fund payments of \$400,000 through March 1, 1969 and \$500,000 thereafter through March 1, 1974. The sinking fund requirements for the year ending April 29, 1967 have been anticipated.

Convertible subordinated debentures are convertible into common stock at \$32.94 per share through April 1, 1969. These debentures require semi-annual sinking fund payments beginning April 1, 1970 of 5% of the principal amount of the debentures outstanding on April 1, 1969.

The indentures covering the issuance of the debentures described above contain restrictions as to the payment of cash dividends and the redemption of shares of stock of the company. The maximum amount of retained earnings so restricted at April 30, 1966 was \$33,785,742.

Note 3

Preferred stock is \$4.20 cumulative, \$15 par value; 142,615 shares are authorized, of which 42,805 are

issued and outstanding. The company is obligated to set aside \$120,000 semi-annually as a sinking fund for the redemption of the preferred stock, which may be called for this purpose at \$100 per share plus accrued dividends.

Note 4

Common stock is \$1 par value; 10,000,000 shares are authorized, of which 7,163,749 are issued, 12,400 are held in the company's treasury and 7,151,349 are outstanding.

Common stock account transactions of the company during the year were as follows:

Balance, May 1, 1965	\$44,692,063
Issuance of 126,433 shares in exchange for minority interest in subsidiary	2,655,093
Excess of stated value over cost of 2,890 shares of cumulative preferred stock retired	13,734
Purchases of treasury stock	(13,134)
Balance, April 30, 1966	<u>\$47,347,756</u>

At April 30, 1966, the following options, granted to certain employees and officers, to purchase 321,515 shares of common stock, at 100% of the market price on the dates the options were granted, were outstanding:

305,415 shares at \$21.81 per share, exercisable on a cumulative basis to December 7, 1970;

16,100 shares at \$23.63 per share, exercisable on a cumulative basis to December 10, 1970.

Note 5

For the year ended April 30, 1966, special credits consist of tax reductions of \$2,926,000 resulting from the carryover of net operating loss of a subsidiary company (liquidated September 19, 1965), decreased by \$1,057,000, representing the excess of cost over the value of the minority interest in such subsidiary; and a loss of \$322,000, net of income taxes, sustained upon demolition of buildings.

Note 6

The company rents the majority of the premises occupied. At April 30, 1966, the minimum annual rental for such premises under 657 leases expiring more than three years after that date amounted to approximately \$22,400,000 plus, in some instances, certain taxes, insurance and other expenses.

CONSOLIDATED STATEMENT OF

Source and Use of Funds

FOOD FAIR STORES, INC. AND SUBSIDIARIES

	52 weeks ended April 30, 1966
Funds provided from:	
Net income and special credits	\$12,504,014
Depreciation and amortization	11,500,930
Increase in long-term debt	8,126,822
	<u>\$32,131,766</u>
Funds used for:	
Cash dividends	\$ 6,573,307
Property, plant and equipment additions, net	18,965,649
Increase in miscellaneous other assets	1,059,838
Increase in investments	1,173,938
Retirement of preferred stock	275,266
Decrease in deferred Federal income taxes	271,600
Other items	478,860
	<u>\$28,798,458</u>
 Increase in working capital	 <u>\$ 3,333,308</u>

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LAVENTHOL, KREKSTEIN, GRIFFITH & CO.

Certified Public Accountants

1528 WALNUT STREET
PHILADELPHIA, PA. 19102

To the Board of Directors and Shareholders
Food Fair Stores, Inc.

We have examined the consolidated statement of financial condition of Food Fair Stores, Inc. and Subsidiaries at April 30, 1966, and the related consolidated statements of income, retained earnings and source and use of funds for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company and Subsidiaries for the fifty-two weeks ended May 1, 1965.

In our opinion, the accompanying consolidated statements of financial condition, income and retained earnings present fairly the financial position of Food Fair Stores, Inc. and Subsidiaries at April 30, 1966 and May 1, 1965 and the results of their operations for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis; and the accompanying consolidated statement of source and use of funds presents fairly the information shown therein.

June 30, 1966

Certified Public Accountants

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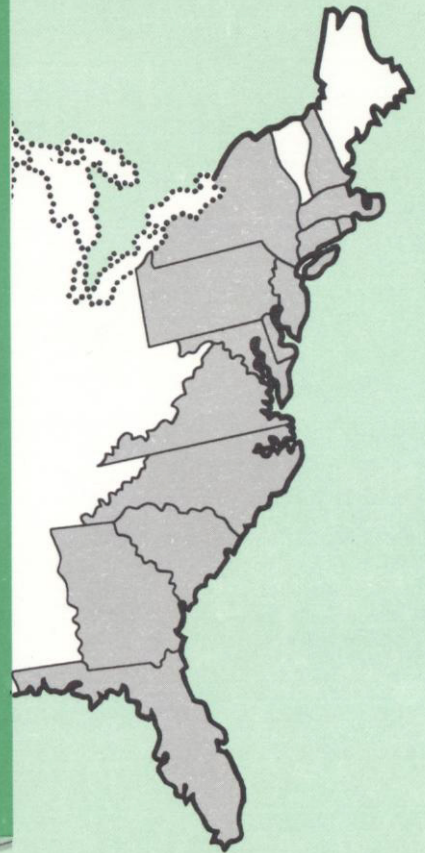


FOOD FAIR STORES, INC.

as of April 30, 1966

STATE	FOOD UNITS	DEPARTMENT STORES
CALIFORNIA	38*	—
CONNECTICUT	21	3
DELAWARE	9	—
FLORIDA	159	19
GEORGIA	5	1
MARYLAND	49	—
MASSACHUSETTS	—	11
NEVADA	7	—
NEW HAMPSHIRE	—	2
NEW JERSEY	86	4
NEW YORK	60	6
NORTH CAROLINA	—	1
PENNSYLVANIA	100	1
RHODE ISLAND	1	—
SOUTH CAROLINA	2	4
VIRGINIA	17	2
Total	554	54

*In addition, there are seven drug stores in California.



A full line of imported and domestic gourmet foods is offered in these attractive new departments in Food Fair supermarkets. The Early American, rustic design features cedar, light and dark oak, and century brick.

Officers and Directors

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Director of Distribution*

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Regional Director*

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Director of Merchandising*

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Director of Maryland Operations*

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*Vice President,
Director of Meat Operations*

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EDWARD MANN
Controller

SAMUEL FORMAN
Assistant Secretary

HOWARD S. JACOBSEN
Assistant Secretary

LEO DICANDILO
Assistant Secretary

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Union Securities & Co.*

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Chairman, Bulova Watch Co.

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Vice President

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Financial Consultant

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President

W. PAUL STILLMAN
*Chairman, The First National
State Bank of New Jersey*

EXECUTIVE OFFICES 3175 John F. Kennedy Blvd., Philadelphia, Pennsylvania 19104

GENERAL COUNSEL Stein Abrams & Rosen, New York, New York

TRANSFER AGENT Registrar & Transfer Company, New York, New York

REGISTRAR Chase Manhattan Bank, New York, New York

CERTIFIED PUBLIC ACCOUNTANTS Laventhol, Krekstein, Griffith & Co., Philadelphia, Pennsylvania

Food Fair Stores, Inc. preferred stock and common stock are fully listed on
the New York, Pacific Coast, and Philadelphia-Baltimore Stock Exchanges.



FOOD FAIR STORES, INC.
PHILADELPHIA, PENNSYLVANIA

